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Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC
TO AMEMBASSY TEGUCIGALPA PRIORITY
INFO AMEMBASSY SAN JOSE PRIORITY
AMEMBASSY QUITO

C O N F I D E N T I A L STATE 039245

E.O. 11652: GDS

TAGS: BBAK, HO

SUBJECT: STANDARD FRUIT CONTEMPLATING BANANA PHASE-OUT
IN HONDURAS

1. IN MEETING WITH DEPARTMENT OFFICIALS FEBRUARY 19 AND 20, CASTLE & COOK VICE-PRESIDENT CHARLES WAITE ADVISED THAT UNLESS HONDURAS RESCINDS TAX ON BANANA EXPORTS, CASTLE AND COOK PLANS TO TERMINATE SUBSTANTIAL NUMBER OF LABOR CONTRACTS IN ISLETAS AREA ABOUT MID-MARCH AS START OF PHASE-OUT OF ITS BANANA OPERATIONS IN HONDURAS. THIS DECISION NOT YET COMMUNICATED TO GOH. CASTLE AND COOK PLANS ADVISE GOH OF DECISION EARLY IN MARCH. AT THE SAME TIME THEY WILL ADVISE GOH OF INTENTION NOT TO RENEW THEIR AGREEMENT TO OPERATE COX CONCESSION (A LARGE BANANA OPERATION IN THE UPPER AGUAN, WE UNDERSTAND). CASTLE & COOK CLAIMS HONDURAS BANANA OPERATION MARGINAL IN BEST OF YEARS AND UNECONOMICAL
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UNDER ANY CIRCUMSTANCES WHEN TAX ADDED (UNLESS,CASTLE &

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COOK ALWAYS IS CAREFUL TO POINT OUT, ALL BANANA EXPORTING COMPANIES IMPOSE TAX). MEMCONS BEING POUCHED.

2. WAITE STATED CASTLE & COOK UNDERSTANDS THEY WILL BE IN FOR A DIFFICULT PERIOD IN HONDURAS AND ALSO HAS CONSIDERED POSSIBILITY OF ACTION, UNDER PANACHE OF LA SOLIDARITY,

BY OTHER PRODUCING COUNTRIES IN WHICH STANDARD OPERATES. DEPTOFFS SUGGESTED STANDARD CONSIDER PRIOR DISCUSSION OF PROPOSED ANNOUNCEMENT WITH GOVERNMENTS OF COSTA RICA AND ECUADOR TO BE SURE THOSE GOVERNMENTS FULLY UNDERSTAND STANDARD'S POSITION AND ALSO TO BETTER ENABLE STANDARD TO JUDGE THEIR LIKELY REACTION. WAITE APPEARED TO REGARD THIS AS WORTH CONSIDERING.

3. WAITE EXPRESSED FEAR THAT GOH WOULD EXPECT USG TO STEP IN AND FILL ECONOMIC GAP LEFT BY STANDARD PULL-OUT. WHEN ASSURED BY BOTH ASSISTANT SECRETARY ROGERS AND AID ADMINISTRATOR PARKER THAT THIS WAS NOT IN THE CARDS, HE SUGGESTED POSITIVE ACTION BY EMBASSY HONDURAS TO COMMUNICATE THIS FACT TO GOH. WE ADVISED WAITE THAT GOH QUITE AWARE OF LIMITED SCOPE, PURPOSES AND SIZE OF USAID PROGRAM AND THAT WE HAD NO REASON TO SUPPOSE GOH WOULD ANTICIPATE U.S. BAIL-OUT UNDER CIRCUMSTANCES UNDER DISCUSSION. HOWEVER, WE DID PROMISE HIM THAT SHOULD WE HAVE REASON NOW OR IN THE FUTURE TO SUSPECT GOH WAS HARBORING SUCH UNREASONABLE ANTICIPATIONS, STEPS WOULD BE TAKEN TO DEFLATE THEM. ACCORDINGLY, EMBASSY IS REQUESTED TO EVALUATE LIKELY GOH EXPECTATIONS REGARDING U.S. ASSISTANCE FOLLOWING STANDARD PHASE-OUT OF BANANA OPERATIONS AND, IF NECESSARY, TAKE APPROPRIATE ACTION TO ASSURE GOH EXPECTATIONS ACCORD WITH REALITY. KISSINGER

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